

Housing Programs

July 2006 Newsletter

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Committed to the future of rural communities.

W.T. (Tim) Ryan, State Director
Deborah Chorlton, Housing Programs Director

Home Energy Advantage Pilot Program

On June 8th, 2006, an unnumbered letter was issued announcing special eligibility considerations for low and moderate income applicants purchasing newer, energy-efficient homes. This pilot applies to both the 502 Direct and the 502 Guaranteed Rural Housing programs.

Under the pilot called "Home Energy Advantage", the maximum qualifying ratios used to determine an applicant's ability to repay a home loan may be exceeded by up to two percentage points if an energy efficient home is purchased. In some cases applicants may be able to afford a larger loan amount due to the qualifying flexibility because lower utility costs associated with energy efficient homes equate to higher discretionary income.

All homes that are built to meet the 2000 International Energy Conservation Code (IECC) or a subsequent comparable code are considered energy efficient, and borrowers purchasing them are eligible for increased qualifying ratios. Existing homes that meet the same standard, or are being retrofitted to meet it, are also eligible. This program will operate for the next 18 months.

Please contact your local Area Office for further information



RURAL DEVELOPMENT HOUSING PROGRAMS FY 2006 TO DATE

Guaranteed Loans:	289	\$ 24,695,016
502 Direct:	100	\$ 10,547,285
504 Loan/Grants	39	\$ 263,860
Self-Help Grants	7	\$ 1,736,314
HAPG Grants	5	\$ 11,000
MFH/RA	88	\$ 861,378
TOTAL:	528	\$ 38,114,853



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To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Ave. S.W.
Washington DC 20250-9140 or call (800)795-3272 (voice) or (202)720-6382 (TTD).

NEW GUIDES AVAILABLE

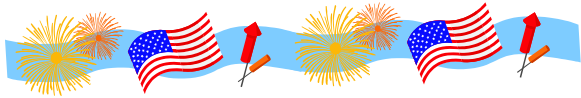
The following new program guides are available.

- Guaranteed Rural Housing Lenders Guide
- Guaranteed Rural Housing Servicing Guide
- Realtor's Guide to Rural Development Loans

These guides will be posted on our website soon. In the interim, please contact your Area Office for a copy.

Check out our new website at { [HYPERLINK "http://www.rurdev.usda.gov/mt"](http://www.rurdev.usda.gov/mt) }

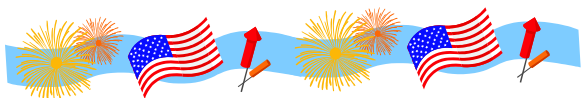
Click on Housing and Community Facilities, and then click on Single Family Housing.



DIRECT LOAN PROGRAMS

FUNDING

Pooling for the 502 Direct program is July 14, 2006. Please contact your Area Office if you have any loans in process that may need to be obligated. We currently have \$1.3 million in un-obligated very-low money. Low money is limited, however. Contact your local Area Office with your needs as we may be able to accommodate you.



GUARANTEED LOAN PROGRAMS

Effective April 26, 2006, new income limits became available for the GRH loan program. The income limits are posted on our website and can be viewed at { [HYPERLINK](http://www.rurdev.usda.gov/rhs/sfh/GSFH_Income_Limits/MT%20GRH.pdf)

"http://www.rurdev.usda.gov/rhs/sfh/GSFH_Income_Limits/MT%20GRH.pdf" }.

FORM RD 1980-21 "Request for Single Family Housing Loan Guarantee"

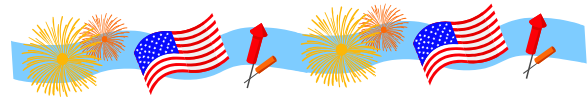
On June 21, 2006, Form RD 1980-21 was revised to reference the applicant(s) acknowledgements and certification to do business with the U.S. Government

The original signed copy of Form 1980-21 is no longer required to be submitted by the lender. We will accept a photocopy or a facsimile of the signed document as long as it is legible. It is important that the loan amount shown on this form match the amounts approved by your underwriter and the Agency (as listed on the Conditional Commitment and the Loan Note Guarantee).



GRH FUNDING

For fiscal year 2006, an appropriation of over \$3.68 billion is available for the GRH loan program. Based on current funds utilization and projections, ample GRH funding will be available throughout the remainder of this fiscal year.



LOAN ORIGATION ANs ISSUED

AN 4174, Treatment of Applicant Collection Accounts Single Family Housing Guaranteed Loan Program Assistance, was issued to replace RD AN 4080 with the same title. This AN describes the role of the lender's underwriter in determining whether an applicant must pay off collection accounts prior to or at loan closing.

AN 4177, Single Family Housing Guaranteed Loan Program Appraisals in Remote Rural Areas, was issued to replace AN 4078 with the same title. This AN differs from the previous AN in that it introduces the Scope of Work Rule which will take the place of the Departure Rule on July 1, 2006.

AN 4178, Single Family Housing Guaranteed Loan Program Determining Repayment Income for Self Employed Applicants, was issued to replace AN 4069 with the same title. This AN clarifies how to

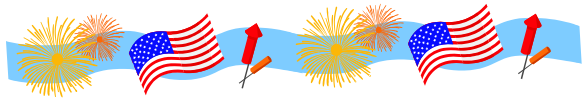
properly analyze a self employed applicant's loan application for repayment ability.



AN 4179, Single Family Housing Guaranteed Loan Program Acceptable Alternative Documentation to Verify the Applicant's Employment Income, was issued to replace AN 4070 with the same title. This AN explains the acceptable forms of employment income verification for non-self-employed applicants.

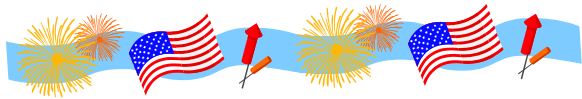
AN 4148, Single Family Housing Guaranteed Loan Program Lender Real Estate Owned Property Disposition Plans, was issued to replace AN 4066 with the same title. This AN clarifies the content and submission requirements of property disposition plans for lenders with real estate owned (REO) properties.

All Rural Developments ANs are posted on our website and can be found at { [HYPERLINK](http://www.rurdev.usda.gov/regs/an_list.html) "http://www.rurdev.usda.gov/regs/an_list.html" }



UNDERWRITER TRANSMITTAL SUMMARY

Rural Development requires all underwritten and approved loan files to be submitted with an Underwriting Transmittal Summary. The Agency requires the underwriter to prepare a sufficiently detailed underwriting summary with an emphasis on the strengths and weaknesses of the individual case, such as stability of income, debt-to-income ratios, credit history, adverse credit waivers, payment shock, property considerations, and other comments pertinent to the underwriter's decision.



LOAN SUBMISSION/CLOSING CHECKLISTS

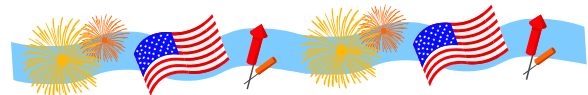
Lender checklists for loan package submissions and loan closings have recently been revised and are attached to this newsletter.

RESIDENTIAL FOUNDATION DESIGNS

The previous newsletter included a discussion of mold prevention during the construction phase of a new home and highlighted RD's guidance for crawl space construction. The following briefly continues that discussion into the choice of a building foundation designs. In making a wise choice, the designer; whether that happens to be the owner; the building contractor, the dealer-contractor for a manufactured home, or a professional home designer, will need to balance the owner's functional needs, the site conditions where the home is to be built, the cost budgeted for the foundation, as well as applicable building code requirements.

A home will typically be placed over a crawl space, a full basement, or directly on a concrete slab. Restrictive site conditions that might be an important factor in the foundation selection could be a shallow depth of groundwater, unstable soils, or sloping property. High groundwater conditions might suggest a slab foundation, although the other choices could be feasible with a foundation drainage system.

The current building code is the statewide adopted 2003 International Residential Code. Designers will consider the 2006 edition after the State Legislature adopts it. A change in foundation ventilation requirements in the newest version of the code will virtually eliminate natural ventilation for crawl space designs, relying instead on a more energy efficient sealed crawl space area that is mechanically-ventilated with outside air, or conditioned with inside air. It is in these designs that mold growth during construction must be actively managed. However, once a mechanically-ventilated crawl space is operational; the owner will find this area to be a permanently dry and energy efficient structural space.





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